



Provider Payment: Trends and Methods in the Massachusetts Health Care System

**Prepared by Allison Barrett and Timothy Lake,
Mathematica Policy Research, Inc.**

February 2010



Deval L. Patrick, Governor
Commonwealth of Massachusetts
Timothy P. Murray
Lieutenant Governor

JudyAnn Bigby, Secretary
Executive Office of Health and Human Services
David Morales, Commissioner
Division of Health Care Finance and Policy

Table of Contents

Introduction	1
Payment Methods In Commercial Products	2
Payment Methods In Public-Sector Products	5
Innovative Payment Methods	6
Endnotes	7
Tables and Figures	8
Appendix	A-1

Introduction

The way providers are paid is a key factor in health care costs. Incentives to provide more care, more costly care, or better quality care can be implicit in the method of payment. For example, it is widely recognized that fee-for-service (FFS) payment implicitly rewards providers for delivering more care and more costly care, but offers no incentives to improve quality or to offer patient-centered, coordinated care.

In contrast, global payments, which pays providers a single fee for all or most services that the member requires during a contract period, rewards providers for appropriate care by allowing providers to keep the savings gained from decreasing unnecessary tests, preventable hospitalizations, or emergency room visits. Global payment may also offer incentives for care coordination, but only to the extent that care coordination helps to control cost. Like FFS, global payment offers limited incentives to improve quality or to maintain high quality.

Recognizing the shortcomings of either FFS or global payment in creating sufficiently strong incentives for quality and therefore high-value care, many payers in Massachusetts and nationally have adopted pay-for-performance (P4P) models that layer quality incentives on their basic method of payment. However, many P4P programs currently reward processes rather than outcomes, and offer financial incentives that are too small to significantly change provider behavior (Miller 2007). Consequently, achieving the right care at the right time in the appropriate setting remains a challenge.

In July 2009, the Massachusetts Special Commission on the Health Care Payment System issued recommendations to reform the health care payment system, replacing the predominantly FFS system with a global payment model that would include P4P with appropriate rewards for a range of quality of care measures (DHCFP 2009). The Special Commission noted that, while FFS payment currently predominates in Massachusetts, an estimated 20 percent of commercial physician payments are currently made in Massachusetts under some form of global payment (Bailit 2009).

This report investigates in greater detail the methods that carriers in Massachusetts currently use to pay hospitals, physicians, and post-acute care providers for services. All carriers were asked to provide information on forms of payment and payment incentives utilized in their commercial preferred provider organization (PPO) and health maintenance organization (HMO) products, respectively. Carriers that also offer Medicare or Medicaid products were asked to report the same information for those products. Information is reported by size of carrier for each product type when payment methods varied substantially between large and small carriers.¹

Payment Methods In Commercial Products

Primary Care Physicians and Specialists

Fee for service (FFS) is the predominant method of payment in Massachusetts for both primary care and specialist services. Nevertheless, about half of all carriers have capitation arrangements with some physicians, and these capitation payments cover a comprehensive set of services.²

More than half of the carriers in Massachusetts use P4P incentives for physicians, with primary care physicians (PCPs) more likely to face payment adjustments than specialists.³ Carriers are more likely to use P4P in their HMO products, and large carriers are more likely to use P4P than small carriers in both the PPO and HMO market.⁴

Major Findings:

- Every commercial carrier in Massachusetts used FFS to pay the majority of PCPs and specialists (Table 1). FFS was the only method used to pay physicians in carriers' PPO products, and on average was used to pay over 90 percent of physicians in carriers' HMO products.
- About half of all commercial carriers in Massachusetts also used capitation for some physicians in their HMO product. Seven of the 12 use capitation to pay PCPs while 6 used capitation to pay specialists. These carriers had capitation arrangements with an average of 16 percent of contracted PCPs and 5 percent of specialists in their HMO products.
- The seven carriers that used capitation in their HMO products covered a comprehensive set of services in the capitation payment, not only office-based primary care (Table 2). Every carrier included primary care office visits and other physician office-based services in the capitation amount. More than half also covered inpatient visits, ambulatory care provided outside the office, ancillary care provided by others, and referrals to specialty care in the capitation payment. All of the large HMO carriers covered all of the non-office-based services, while less than half of the small HMO carriers did.
- Seven of the 12 carriers used P4P incentives, adjusting PCP payments (either FFS or capitation) for performance against various measures of quality and utilization or cost (Table 3). P4P payments were more common in carriers' HMO products: 60 percent of the largest HMO products used P4P in paying PCPs, compared with 30 percent of the largest PPO products.
- Fewer carriers used P4P to adjust specialist payments. Only 4 of the 12 carriers used P4P for specialists' services in either their largest PPO or HMO product. As was the case for PCPs, carriers were more likely to use P4P for specialists in their HMO products: 40 percent of the largest HMO products used P4P in paying specialists, compared with 22 percent of the largest PPO products.

- Carriers with significant PPO or HMO market share were more likely to use P4P in those products than carriers with low market share. Four of the 5 large HMO carriers used P4P for PCPs, while only 2 of the 5 small HMO carriers did so. Similarly, half of the large PPO carriers used P4P for both PCPs and specialists, while just 1 of the 5 small PPO carriers used P4P for PCPs only.
- Carriers used similar criteria to adjust payments for both PCPs and specialists. Most carriers using P4P adjusted payments to both based on quality and utilization or cost measures. Fewer than half of the carriers used consumer surveys of patients, measures of provider productivity, and the physician's use of electronic medical records or health IT. One carrier adjusted PCP payments based on patient complaints or grievances, but none of the carriers used that measure to adjust specialist payments.

Risk Contracts with Intermediate Entities

Half of the carriers in the state contract on a risk basis with one or more intermediate entities such as medical groups, independent practice associations (IPAs), or physician-hospital organizations (PHOs). However, carriers use risk contracts only in their HMO products. While large HMO carriers more likely than small HMO carriers to use risk contracts, they currently involve relatively few providers or patients.

Major Findings:

- Six of the twelve carriers contracted on a risk basis with intermediate entities in their largest HMO product (Table 4). Five of these six carriers also offered PPO products, but none of them used risk contracts in their PPO products.
- All of the six carriers that shared risk with intermediate entities used global contracts, sharing both hospital and professional (non-hospital) risk. Three of the six also had contracts with some intermediate entities sharing only professional risk, while two had contracts that shared only hospital risk.
- Large HMO carriers were more likely than small carriers to use risk contracts with intermediate entities. Four of the five large carriers had risk contracts with intermediate entities, compared with two of the five small carriers.
- On average, even large HMO carriers paid just 11 percent of PCPs, 7 percent of specialists, and 3 percent of hospitals through risk contracts with intermediate entities. Small HMO carriers covered even fewer providers under risk contracts, averaging 2 percent of PCPs and less than 1 percent of specialists.
- Nearly 22 percent of covered lives in large HMO carrier products were covered under risk-sharing arrangements with intermediate entities, accounting for 18 percent of premiums.

Hospital Services

Every carrier uses several methods to pay for hospital inpatient and outpatient services, reflecting their different arrangements with different hospital or hospital systems. Most carriers use payment methods that share little or no risk with hospitals. However, very few carriers use payment methods that share full risk with hospitals—that is, both the risk of a hospitalization and any rehospitalization, and the risk associated with cost per stay.⁵

Major Findings:

- The most common methods of payment for inpatient hospital services were per diem and per diagnosis-related group (DRG), used by 11 of the 12 carriers (Figure 1). Under these payment arrangements, hospitals receive a set payment per day or per hospitalization and are financially at-risk for any costs above those set payments. Most carriers (10 of the 12) used discounted charges for at least some hospitalizations.
- Only two carriers paid any hospitals on a per capita basis (a set fee per member month regardless of actual hospital utilization), and both did so only in their HMO products.
- For hospital outpatient services, most carriers used a mix of discounted charges and per case (for ambulatory surgery) or per visit (for other outpatient services) payments (Figure 2). Only two carriers used per capita payments for non-ambulatory-surgery outpatient services, and both did so only in their HMO products.

Post-Acute Care Services

Most carriers use payment methods for post-acute care that share some risk with providers, but almost none share significant risk.

Major Findings:

- All carriers paid skilled nursing facilities on a per diem basis (Figure 3). Seven of the 12 paid discounted charges for at least some stays, and one paid per DRG. No carrier paid for skilled nursing care on a per capita basis.
- All carriers paid for home health services on a per-visit basis; seven also use discounted charges for at least some providers or some services. No carrier paid per episode or per capita for home health services.

Payment Methods In Public-Sector Products

For the most part, carriers use substantially the same payment methods in their public products as their commercial products. However, they make greater use of both capitation payments to physicians and risk contracts with intermediate entities.

Major Findings:

- As was the case for commercial products, about half of the carriers that offered public products pay capitation to physicians: 4 of the 8 carriers with public products had capitation arrangements with PCPs, and 3 paid capitation to specialists as well (Table 5). However, the average percentage of PCPs covered under capitation arrangements was much higher in public plans (approximately 33 percent compared to 16 percent in commercial HMO products). The average percentage of specialists covered under capitation was the same (5 percent) in commercial HMO, Medicare, and Medicaid products.
- Carriers used risk contracts with intermediate entities in their Medicare and Medicaid products, as in their HMO products. Four of the 8 carriers used risk contracts in their public products; global risk contracts were more common than risk contracts that covered exclusively physician or hospital services (Table 6). However, compared with their HMO products, these contracts covered more providers and more lives: more than 20 percent of PCPs (compared with 8 percent in HMO products), and over 50 percent of covered lives (compared with 20 percent in HMO products).

Innovative Payment Methods

About half of both large and small carriers use payment methods in at least one product (PPO, HMO, Medicare, or Medicaid) to explicitly encourage better quality or lower cost care. Among small carriers, the use of innovative payment methods is limited to individual physician providers, while large carriers also use innovative payment methods aimed at hospitals and intermediate entities.

Major Findings:

- About half of both large and small carriers used payment incentives (other than medical home payments) to encourage high quality primary care services (Figure 4). Most often, these were bonus payments to physicians for use of technology or meeting quality standards.
- Three carriers used either some form of episode-based or bundled payments (other than DRG payments) for either inpatient or ambulatory care. Similarly, just two large carriers (and none of the small carriers) paid PCPs to support medical homes.
- About half of large carriers used P4P payments to hospitals and/or intermediate entities in at least one product, but none of the small carriers did. Most large carriers tied these payments to process-of-care quality measures, although some large carriers paid hospitals based on patient safety measures (data not shown).

Endnotes

- ¹ When referring to specific product types (e.g., commercial HMO or PPO products), results are based on carriers' responses about the largest product offered. Carriers are classified as large or small in the PPO and HMO markets separately (e.g., a carrier might be classified as large in the PPO market but small in the HMO market). The four carriers with the largest PPO enrollment in December 2008 (including both self- and fully-insured members) represented 90 percent of total PPO enrollment; these carriers are included in the "large PPO carriers" category. Similarly, the five carriers with the largest HMO enrollment in 2008 represented 90 percent of total HMO enrollment and are included in the "large HMO carriers" category. All other carriers are included in the "small PPO carriers" and "small HMO carriers" categories, respectively.
- ² Capitation is typically a fixed per member per month payment reflecting the actuarial expected health care cost of enrollees. Risk sharing includes capitation but may also include other arrangements such as partial capitation, global budgets, and fee-for-service with withholds or bonuses based on service use and cost performance compared with cost targets.
- ³ The survey captured P4P payment adjustments only when carriers contracted directly with physicians. Some carriers contract with physician groups or other provider organizations, and those intermediate entities may use P4P incentives that were not identified.
- ⁴ Note that carriers self-defined HMO and PPO products for the purpose of this survey. In Massachusetts, companies that are regulated as HMO companies may write PPO products. HMOs are regulated under Chapter 176G of the Massachusetts General Laws.
- ⁵ These payment methods are only for direct payments to hospitals, and exclude contracts with intermediate entities (covered in Table 4) that may share more risk with hospitals.

Tables and Figures

Table 1. Number of Carriers Using Fee for Service or Capitation for Primary Care Physicians and Specialists in their Largest Commercial PPO or HMO Products, 2009

	Largest Commercial Products ^a	Largest Commercial PPO Products ^a		Largest Commercial HMO Products ^a	
	Total number of carriers using payment method	Number of PPO carriers using payment method	Average percent of physicians paid using method ^b	Number of HMO carriers using payment method	Average percent of physicians paid using method ²
Total number of carriers	12	9	--	10	--
Payment methods used for primary care physicians					
Fee-for-service (FFS)	12	9	100%	10	94%
Capitation	7	0	--	7	16%
Payment methods used for specialists					
Fee-for-service (FFS)	12	9	100%	10	96%
Capitation	6	0	--	5	5%

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Dashes indicate that the category is not applicable.

^a Each of the 13 responding carriers reported payment methods used by its largest PPO and/or HMO products. Carriers may use more than payment method for each product.

^b Each carrier reported the percent of physicians they pay with each method, in the following ranges: 1-9%, 10-49%, 50-79%, 80-99%, or 100%. The average percent of physicians paid with the method is calculated as the average of the midpoints of the ranges reported by carriers that used the payment method. See Appendix Tables 1 and 2 for additional detail.

Table 2. Number of Carriers Using Capitation Payments to Primary Care Physicians in their Largest Commercial HMO Products by Type of Services Covered, 2009

	All HMO carriers	Large HMO Carriers ^a	Small HMO Carriers
Total number of carriers using capitation for primary care physicians ^b	7	4	3
Number of carriers using capitation payment that covers			
...primary care office visits	7	4	3
...other services provided in the physician's office	7	4	3
...inpatient visits	6	4	2
...ambulatory care provided outside of the office	5	4	1
...ancillary care provided by others	5	4	1
...referrals to specialty care	5	4	1

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

^a The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, were included in the "small carriers" category.

^b Each carrier reported payment methods used by its largest HMO product.

Table 3. Number of Carriers Using Selected Methods to Adjust Payment for Primary Care Physicians and Specialists in their Largest Commercial PPO or HMO Products, 2009

	Largest Commercial Products ^a						
	Largest Commercial PPO Products ^a				Largest Commercial HMO Products ^a		
	All Commercial Carriers	All PPO Carriers	Large PPO Carriers ^b	Small PPO Carriers	All HMO Carriers	Large HMO Carriers ^c	Small HMO Carriers
Total number of carriers	12	9	4	5	10	5	5
Adjusting payments to primary care physicians							
Number of carriers that use any method to adjust payment	7	3	2	1	6	4	2
Number of carriers that adjust payments using...							
Quality measures	6	2	2	0	6	4	2
Utilization or cost measures for provider's panel	5	2	2	0	5	4	1
Consumer survey of patients	2	1	1	0	2	2	0
Electronic medical records / Health IT	2	1	1	0	2	2	0
Provider productivity	1	1	1	0	1	1	0
Patient complaints and grievances	1	1	0	1	0	0	0
Enrollee turnover rates	0	0	0	0	0	0	0
Adjusting payments to specialists							
Number of carriers that use any method to adjust payment	4	2	2	0	4	3	1
Number of carriers that adjust payments using...							
Quality measures	4	2	2	0	4	3	1
Utilization or cost measures for provider's panel	3	2	2	0	3	3	0
Consumer survey of patients	2	1	1	0	2	2	0
Provider productivity	1	1	1	0	1	1	0
Electronic medical records / Health IT	1	1	1	0	1	1	0
Patient complaints and grievances	0	0	0	0	0	0	0
Enrollee turnover rates	0	0	0	0	0	0	0

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

^a Each carrier reported the methods used in its largest PPO and largest HMO products to adjust FFS or capitation payments to physicians. Each plan may use more than one method.

^b The four carriers with the largest PPO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total PPO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all PPO covered lives, were included in the "small carriers" category.

^c The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, were included in the "small carriers" category.

Table 4. Number of Carriers Using Risk Contracts with Intermediate Entities in their Largest Commercial HMO Products, 2009^a

	All HMO Carriers	Large HMO Carriers ^b	Small HMO Carriers ^b
Total number of carriers	10	5	5
Carriers that have risk contracts with medical groups, IPAs, or PHOs	6	4	2
Number of carriers sharing global risk	6	4	2
Number of carriers sharing professional risk	3	3	0
Number of carriers sharing hospital risk	2	2	0
Among carriers with risk contracts, average percent of providers paid through risk- contracting entities: ^c			
Primary care physicians	8.3%	11.4%	2.0%
Specialists	4.6%	6.7%	0.5%
Hospitals	2.0%	3.0%	0.0%
Among carriers with risk contracts, average percent of:			
Total lives covered under risk-contracting arrangements ³	19.7%	21.9%	15.3%
Premiums paid under risk-contracting arrangements ³	16.8%	18.2%	14.0%

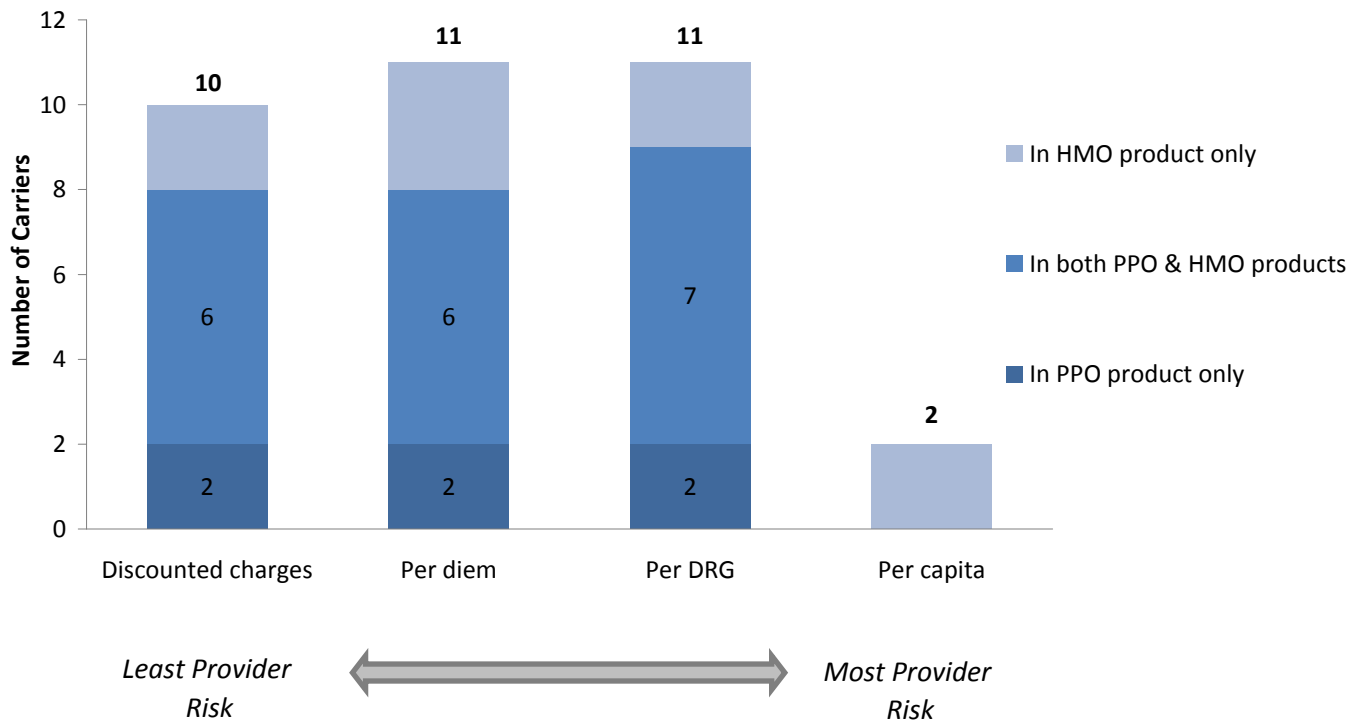
Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

^a Each carrier reported risk contracts used by its largest HMO and largest PPO plan. None of the carriers reported using risk contracts in their largest PPO plans.

^b The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, are included in the "small carriers" category.

^c Percentage of providers, covered lives, and premiums paid through risk-contracting entities are calculated only for carriers and products that reported some risk-sharing. The percentages are calculated by weighting each carrier equally.

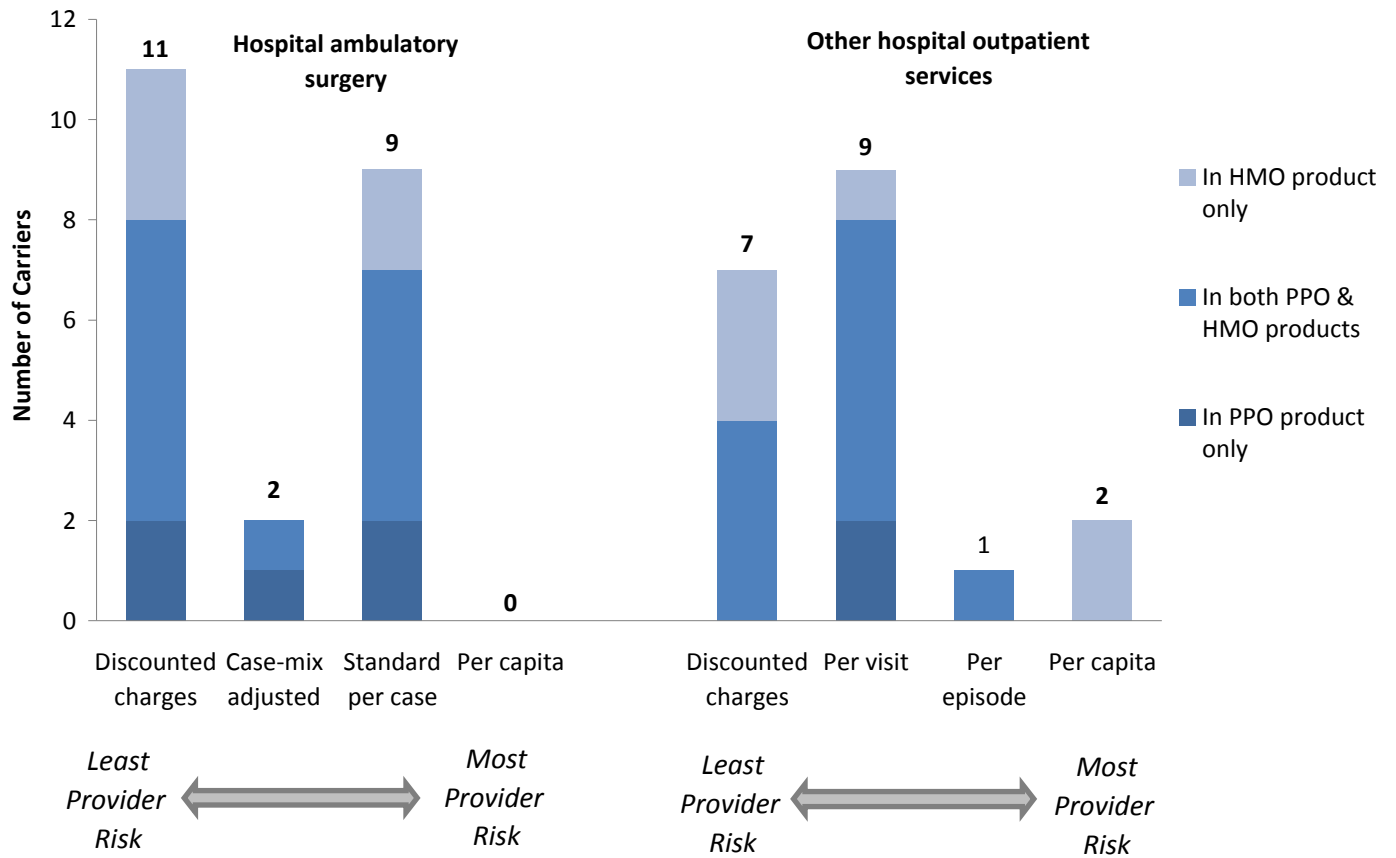
Figure 1: Number of Carriers Using Selected Payment Methods for Inpatient Hospital Services in their Largest Commercial PPO or HMO Products, 2009



Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Carriers may use more than one method to pay for services.

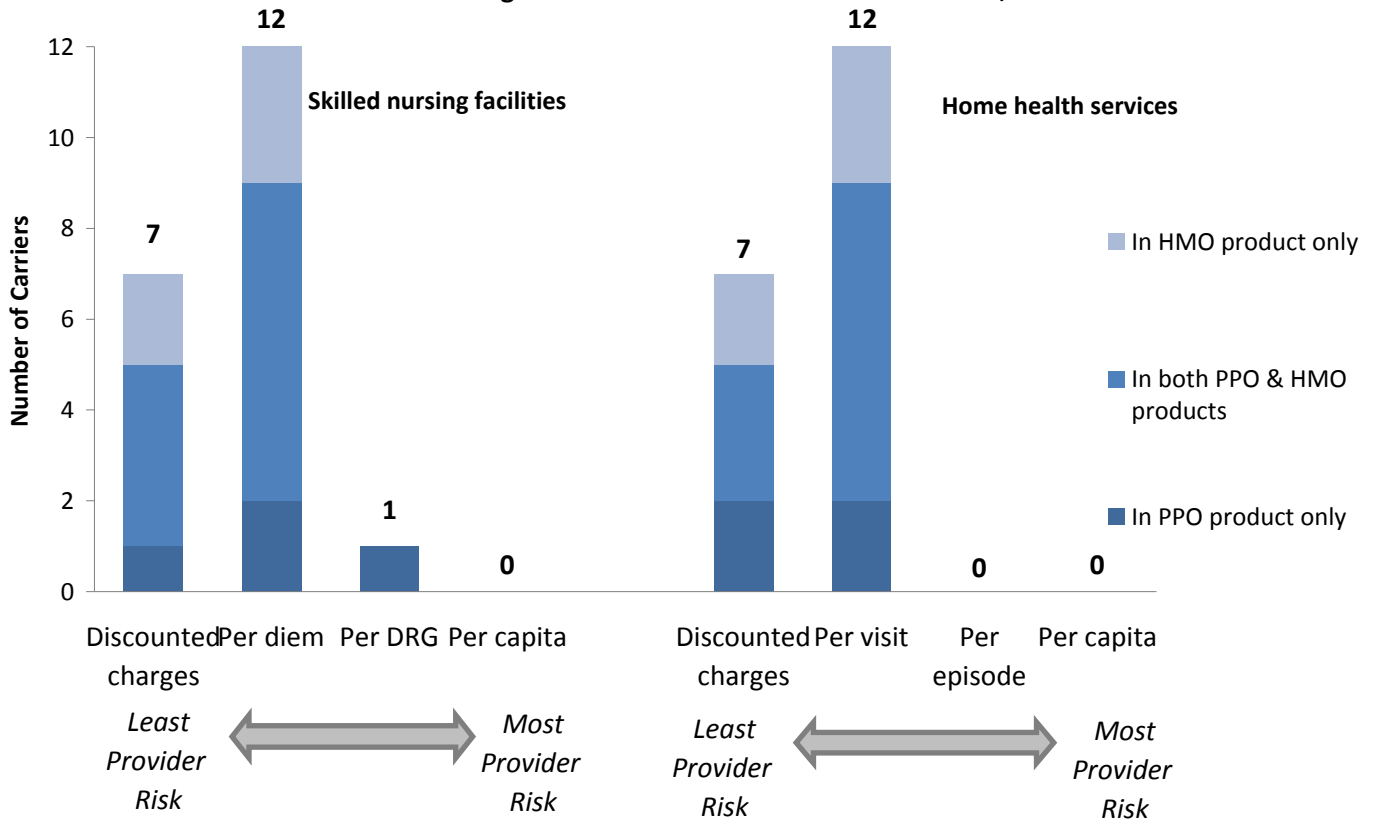
Figure 2: Number of Carriers Using Selected Payment Methods for Outpatient Hospital Services in their Largest Commercial PPO and HMO Products, 2009



Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Carriers may use more than one method to pay for services.

Figure 3: Number of Carriers Using Selected Payment Methods for Post-Acute Care Services in their Largest Commercial PPO and HMO Products, 2009



Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Carriers may use more than one method to pay for services.

Table 5. Number of Carriers Using Selected Payment Methods for Primary Care Physicians and Specialists in Public-Sector Plans, 2009

	Largest Public Products ^a	Largest Medicare Products ^a		Largest Medicaid Products ^a	
	Total number of carriers using payment method	Number of carriers using payment method	Average percent of physicians paid using method ^b	Number of carriers using payment method	Average percent of physicians paid using method ^b
Total number of carriers	8	6	--	3	--
Payment methods used for primary care physicians					
Fee-for-service (FFS)	8	6	81%	3	73%
Capitation	4	3	33%	2	35%
Payment methods used for specialists					
Fee-for-service (FFS)	8	6	97%	3	93%
Capitation	3	2	5%	2	5%

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Dashes indicate that the category is not applicable.

^aEach of the 13 responding carriers reported payment methods used by its largest Medicare and/or Medicaid products. Carriers may use more than payment method for each product.

^b Each carrier reported the percent of physicians they pay with each method, in the following ranges: 1-9%, 10-49%, 50-79%, 80-99%, or 100%. The average percent of physicians paid with the method is calculated as the average of the midpoints of the ranges reported by carriers that used the payment method. See Appendix Tables 1 and 2 for additional detail.

Table 6. Risk Contracts with Intermediate Entities in Public Plans, 2009

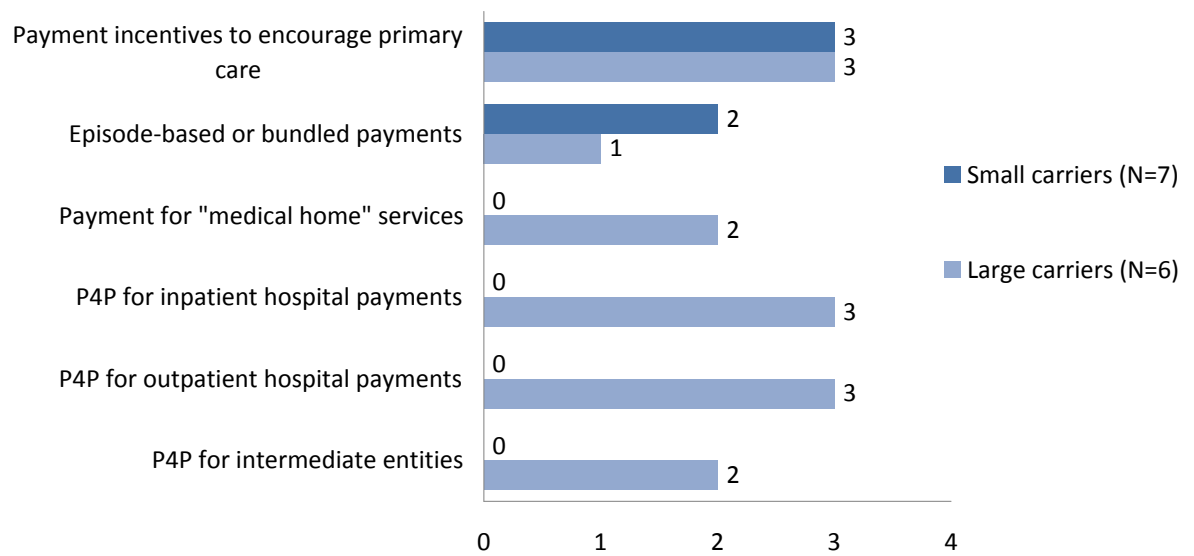
	All Carriers with Public Products	Largest Medicare Product ^a	Largest Medicaid Product ^a
Total number of carriers	8	6	3
Carriers that have risk contracts with medical groups, IPAs, or PHOs	4	3	2
Number of carriers sharing global risk	4	3	2
Number of carriers sharing professional risk	1	1	0
Number of carriers sharing hospital risk	1	1	0
Among carriers with risk contracts, average percent of providers paid through risk- contracting entities: ^b			
Primary care physicians	--	22.5%	38.0%
Specialists	--	16.3%	4.5%
Hospitals	--	10.8%	0.0%
Among carriers with risk contracts, average percent of:			
Total lives covered under risk-contracting arrangements ^b	--	64.7%	56.0%
Premiums paid under risk-contracting arrangements ^b	--	64.5%	55.2%

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

^a Each carrier reported risk contracts used by its largest Medicaid and/or Medicare plans.

^b Percentage of providers, covered lives, and premiums paid through risk-contracting entities are calculated only for carriers and products that reported some risk-sharing. The percentages are calculated by weighting each carrier equally.

Figure 4: Number of Carriers Using Selected Innovative Payment Methods, 2009



Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Appendix

Appendix Table 1. Number of Carriers Using Selected Payment Methods for Primary Care Physicians and Specialists in their Largest Commercial PPO or HMO Plans, 2009

	Largest Commercial PPO Product ¹ (N=9)					Largest Commercial HMO Product ² (N=10)				
	Number of carriers using payment method ³	Number of Carriers Where Percent of Physicians Paid Using Method Is...				Number of carriers using payment method ³	Number of Carriers Where Percent of Physicians Paid Using Method Is...			
		1-10%	10-49%	80-99%	100%		1-10%	10-49%	80-99%	100%
Payment methods used for primary care physicians										
Large carriers	4	--	--	--	--	5	--	--	--	--
Fee-for-service (FFS)	4	0	0	0	4	5	0	0	3	2
Capitation	0	--	--	--	--	4	2	2	0	0
Salary	0	--	--	--	--	0	--	--	--	--
Small carriers	5	--	--	--	--	5	--	--	--	--
Fee-for-service (FFS)	5	0	0	0	5	5	0	0	3	2
Capitation	0	--	--	--	--	3	2	1	0	0
Salary	0	--	--	--	--	0	--	--	--	--
Payment methods used for specialists										
Large carriers	4	--	--	--	--	5	--	--	--	--
Fee-for-service (FFS)	4	0	0	0	4	5	0	0	3	2
Capitation	0	--	--	--	--	4	4	0	0	0
Salary	0	--	--	--	--	0	--	--	--	--
Small carriers	5	--	--	--	--	5	--	--	--	--
Fee-for-service (FFS)	5	0	0	0	5	5	0	0	1	4
Capitation	0	--	--	--	--	1	1	0	0	0
Salary	0	--	--	--	--	0	--	--	--	--

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

Note: Dashes indicate that the category is not applicable.

¹ The four carriers with the largest PPO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total PPO enrollment, are included in the "Large carriers" category. The remaining five carriers, representing 10 percent of all PPO covered lives, were included in the "Small carriers" category.

² The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "Large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, were included in the "Small carriers" category.

³ Each carrier reported payment methods used for its largest PPO and largest HMO products. Carriers may use more than payment method for each product.

Appendix Table 2. Number of Carriers Using Selected Payment Methods for Primary Care Physicians and Specialists in their Public-Sector Plans, 2009

	Largest Medicare Products ¹						Largest Medicaid Products ¹					
	Number of carriers using payment method	Number of Carriers Where Percent of Physicians Paid Using Method Is...					Number of carriers using payment method	Number of Carriers Where Percent of Physicians Paid Using Method Is...				
		1-10%	10-49%	50-79%	80-99%	100%		1-10%	10-49%	50-79%	80-99%	100%
Payment methods used for primary care physicians												
All carriers	6	--	--	--	--	--	3	--	--	--	--	--
Fee-for-service (FFS)	6	0	1	1	1	3	3	0	1	0	1	1
Capitation	3	1	1	1	0	0	2	1	0	1	0	0
Salary	0	--	--	--	--	--	0	--	--	--	--	--
Payment methods used for specialists												
All carriers	6	--	--	--	--	--	3	--	--	--	--	--
Fee-for-service (FFS)	6	0	0	0	2	4	3	0	0	0	2	1
Capitation	2	2	0	0	0	0	2	2	0	0	0	0
Salary	0	--	--	--	--	--	0	--	--	--	--	--

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

¹ Each carrier reported payment methods used for its largest Medicare and largest Medicaid products. Carriers may use more than payment method for each product.

Appendix Table 3. Number of Carriers Using Selected Payment Methods for Hospital Services in their Largest PPO or HMO Plans, 2009

	Largest Commercial PPO Products ¹			Largest Commercial HMO Products ¹		
	All PPO Carriers	Large PPO Carriers ²	Small PPO Carriers	All HMO Carriers	Large HMO Carriers ³	Small HMO Carriers
Total number of carriers	9	4	5	10	5	5
Payment methods for inpatient hospital services						
Per DRG	9	4	5	9	5	4
Per diem	8	3	5	9	4	5
Discounted charges or fee schedule	8	3	5	8	5	3
Per capita	0	0	0	2	1	1
Payment methods for hospital ambulatory surgery						
Discounted charges or fee schedule	8	3	5	9	5	4
Standard per case	7	2	5	7	3	4
Per APC (ambulatory payment classification)	2	0	2	2	1	1
Case-mix adjusted	2	1	1	1	1	0
Per capita	0	0	0	0	0	0
Payment methods used for most other hospital services						
Per visit	8	3	5	7	4	3
Discounted charges or fee schedule	4	3	1	7	3	4
Per episode	1	1	0	1	0	1
Per capita	0	0	0	2	1	1

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing

¹ Each carrier reported payment methods used for its largest PPO and largest HMO product. Carriers may use more than payment method for each service type.

² The four carriers with the largest PPO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total PPO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all PPO covered lives, were included in the "small carriers" category.

³ The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, were included in the "small carriers" category.

Appendix Table 4. Number of Carriers Using Selected Payment Methods for Long-Term Care Services in their Largest PPO or HMO Plans, 2009

	Largest Commercial PPO Products ¹			Largest Commercial HMO Products ¹		
	All PPO Carriers	Large PPO Carriers ²	Small PPO Carriers	All HMO Carriers	Large HMO Carriers ³	Small HMO Carriers
Total number of carriers ³	9	4	5	10	5	5
Payment methods for skilled nursing facilities						
Per diem	9	4	5	10	5	5
Discounted charges or fee schedule	5	2	3	6	4	2
Per DRG	1	0	1	0	0	0
Per capita	0	0	0	0	0	0
Payment methods for home health services						
Per visit	9	4	5	10	5	5
Discounted charges or fee schedule	5	1	4	5	4	1
Per episode	0	0	0	0	0	0
Per capita	0	0	0	0	0	0

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division of Health Care Financing and Policy.

¹ Each carrier reported payment methods used by its largest PPO and largest HMO product. Plans may use more than payment method for each service type.

² The four carriers with the largest PPO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total PPO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all PPO covered lives, were included in the "small carriers" category.

³ The five carriers with the largest HMO enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total HMO enrollment, are included in the "large carriers" category. The remaining five carriers, representing 10 percent of all HMO covered lives, were included in the "small carriers" category.

Appendix Table 5. Number of Carriers Using Selected Innovative Payment Methods, 2009

	All Carriers ¹	Large Carriers ²	Small Carriers
Total number of carriers ³	13	6	7
	3	1	2
Number of carriers using innovative payment methods to improve primary care ⁶	6	3	3
Payment for "medical home" services	2	2	0
Other payment incentives to encourage or enhance delivery of services	6	3	3
...incentive or bonus payments for use of technology	2	2	0
...incentive or bonus payments tied to quality measures	3	2	1
...incentive or bonus payments tied to cost, utilization, or efficiency measures	3	2	1
...other pay-for-performance programs	1	0	1
Number of carriers incorporating pay-for-performance into inpatient hospital payments	3	3	0
Among carriers using pay-for-performance for inpatient payments, average percentage of hospitals affected	57%	57%	--
Pay-for-performance measures used:			
Process of care quality measures	3	3	--
Patient safety measures	2	2	--
Outcome quality measures	1	1	--
Resource use or efficiency measures	1	1	--
Hospital governance measures	1	1	--
HCAPS consumer survey information	1	1	--
Number of carriers incorporating pay-for-performance into outpatient hospital payments	3	3	0
Among carriers using pay-for-performance for outpatient payments, average percentage of outpatient facilities or freestanding clinics affected	50%	50%	--
Pay-for-performance measures used:			
Process of care quality measures	3	3	--
Outcome quality measures	2	2	--
Resource use or efficiency measures	2	2	--
Patient safety measures	1	1	--
Hospital governance measures	1	1	--
Number of carriers incorporating pay-for-performance into payments to intermediate entities	2	2	0
Pay-for-performance measures used:			
Process of care quality measures	2	2	--
Outcome quality measures	1	1	--
Resource use or efficiency measures	1	1	--
Patient satisfaction	1	1	--

Source: Mathematica Policy Research analysis of a survey of thirteen Massachusetts health insurance carriers conducted for the Division

¹ All products includes commercial HMOs, commercial PPOs, Medicare plans, or Medicaid plans.

² The six carriers with the largest commercial enrollment in December 2008 (including both self- and fully-insured members), representing 90 percent of total commercial enrollment, are included in the "large carriers" category. The remaining seven carriers were included in the "small carriers" category.

³ Each carrier reported innovative payment methods used by any of its PPO, HMO, Medicare, or Medicaid products.

⁴ A single payment covering both facility and physician or professional charges. This does not include bundled payments for facility charges only (e.g., DRGs).

⁵ Not including the payment methods for physicians covered in Table 3.

Division of Health Care Finance and Policy
Two Boylston Street
Boston, Massachusetts 02116

Phone: (617) 988-3100
Fax: (617) 727-7662

Website: www.mass.gov/dhcfp

Publication Number: 10-43-HCF-05
Authorized by Ellen Bickelman, State Purchasing Agent

Printed on Recycled Paper